

**STAFF SUMMARY AND RECOMMENDATION  
SOUTHWESTERN UNIVERSITY**

**Extension of Final Resolution Number 192**

February 28, 2002

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**ISSUE AMOUNT:** \$14,500,000      **ORIGINAL APPROVAL DATE:** August 27, 2001

**CREDIT ENHANCEMENT:** N/A

**EXPECTED RATING:** A3 or better

**SENIOR UNDERWRITER:** Prager, McCarthy & Sealy

**TYPE OF FACILITY:** Private University

**LOCATION:** Los Angeles, California  
Los Angeles County

**USE OF BOND PROCEEDS:** Bond proceeds will be used to refund the Series 1994 bonds.

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**ISSUE:** Southwestern University (the "University") requests a ten month extension of its Final Resolution Number 192 which expires on February 28, 2002. The new expiration date would be December 31, 2002. Resolution No. 192 was approved in an amount not to exceed \$14,500,000 subject to a bond rating of at least "A3" for fixed rate bonds and a minimum 3% present value savings.

**REASON FOR EXTENSION REQUEST:** The refunding escrow associated with the proposed bond issuance currently possesses significant negative arbitrage due to the widening of the spreads between short-term and long-term interest rates that has occurred as a result of a combination of the Federal Reserve's numerous reduction in short-term interest rates over the past year and the events of September 11, 2001.

**FINANCIAL UPDATE:** Total revenues have increased \$214,000 (from \$19.6 million in fiscal year 2000 to \$19.8 million in fiscal year 2001) while total expenses have decreased by \$70,000. However, the net assets released from restrictions have decreased by approximately \$580,000. This has attributed to an overall decrease in unrestricted net assets of \$670,000 for fiscal year 2001. The University attributes this to donor gifts being higher than normal in fiscal year 2000 compared to lower than normal in fiscal year 2001. In the current fiscal year beginning July 1, 2001, the University has increased its fundraising events resulting in a 50% rise in unrestricted private gifts, grants and contracts. Management anticipates at least a break-even fiscal year 2002.

Enrollment has declined over the past five years. However, as a result of current fiscal year enrollment and tuition rate increases, tuition revenue is anticipated to increase by 12% or \$2 million. Additionally, applications for enrollment have increased 40% to the academic year 2002-03. See exhibits A-1 and A-2 for updated financials.

**RECOMMENDATION:** Staff recommends the Authority approve an extension to Resolution Number 192 for a period of ten months, to expire on December 31, 2002, subject to all other provisions and conditions remaining unchanged and in full effect.

## Financial Statements

**Exhibit A-1**

### Southwestern University Statement of Activity (Unrestricted)

	Year Ending June 30		
	2001	2000	1999
<b>Revenues:</b>			
Tuition and fees	\$ 17,238,159	\$ 17,023,631	\$ 17,380,039
Private gifts, grants & contracts	133,414	145,968	126,415
Federal Work Study Program grants	585,029	441,659	638,409
Off-campus agencies under Federal Work Study	26,922	32,470	71,830
Investment income	1,371,746	1,364,751	1,151,989
Interest earned on loans	77,405	69,392	59,049
Sales and services of educ. dept	389,245	394,224	425,021
Other sources	20,370	155,881	520,282
Total revenues	19,842,290	19,627,976	20,373,034
Net assets released from restrictions	320,432	899,694	463,329
Total revenues and release of net assets	20,162,722	20,527,670	20,836,363
 <b>Expenses:</b>			
Instructional	7,115,344	6,891,195	6,599,730
Academic support	5,965,136	5,985,359	5,315,685
Student services and institutional support	4,915,417	5,021,487	5,525,779
Scholarships	1,576,524	1,762,915	1,387,430
Total educational and general expenses	19,572,421	19,660,956	18,828,624
Current interest payments on bonds outstanding	817,880	829,580	840,640
University matching funds	70,508	72,136	98,459
Other expenses	371,837	340,087	415,308
Total Expenses	20,832,646	20,902,759	20,183,031
 <b>Change in unrestricted net assets</b>	<b>(669,924)</b>	<b>(375,089)</b>	<b>707,201</b>
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	39,806,257	40,181,346	39,528,014
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 39,136,333	\$ 39,806,257	\$ 40,181,346

Southwestern University  
Statement of Financial Position

	As of June 30		
	2001	2000	1999
<b>ASSETS:</b>			
Cash	\$ 11,247,078	\$ 14,060,154	\$ 16,012,767
Investments	5,856,290	5,665,230	6,094,401
Receivables (net)	609,672	734,739	1,091,181
Pledges Receivables (net)	108,430	132,471	117,628
Prepaid Expenses/other assets	593,836	641,460	633,212
Student Loans (net)	8,925,546	8,440,503	8,212,122
Bond Reserve Fund	1,079,961	1,132,774	1,080,035
Property and Equipment (net)	36,560,722	34,719,421	31,999,864
Real Estate Investments (net)	1,724,512	1,741,374	1,456,100
<b>TOTAL ASSETS</b>	<b>\$ 66,706,047</b>	<b>\$ 67,268,126</b>	<b>\$ 66,697,310</b>

**LIABILITIES AND NET ASSETS:**

**Liabilities:**

Accounts payable, accrued expenses, other liabilities	\$ 2,653,050	\$ 2,657,037	\$ 2,348,236
Unearned tuition and fees	695,786	1,028,124	1,014,463
Advances for student loans	7,475,986	7,113,731	6,812,191
Bonds payable	12,395,000	12,615,000	12,825,000
<b>TOTAL LIABILITIES</b>	<b>23,219,822</b>	<b>23,413,892</b>	<b>22,999,890</b>

**Net Assets:**

Unrestricted	39,136,333	39,806,257	40,181,346
Temporarily Restricted	1,089,977	1,003,287	958,644
Permanently Restricted	3,259,915	3,044,690	2,557,430
<b>TOTAL NET ASSETS</b>	<b>43,486,225</b>	<b>43,854,234</b>	<b>43,697,420</b>

TOTAL LIABILITIES AND NET ASSETS

\$ 66,706,047	\$ 67,268,126	\$ 66,697,310
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**Financial Ratios:**

	Proforma (a)			
	YE June 30, 2001	2001	2000	1999
Debt service coverage (x)	2.21	2.03	2.34	3.21
Debt to expendable net assets (x)	0.35	0.31	0.32	0.32
Expendable net assets to operations (%)		1.92	2.12	1.92
Operating margin (%)		-3.30%	-1.8%	7.6%

(a) Recalculates 2001 audited results to include the impact of this proposed financing.